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SUBJECT: SOUTH AFRICA: AMBASSADOR MEETS MINISTER OF  
MINERALS AND ENERGY

Classified By: Ambassador Jendayi E. Frazer, Reasons: 1.4 (b) and (d)

11. (C) SUMMARY. Ambassador Jendayi Frazer called on Minister Phumzile Mlambo-Ngcuka of the Department of Minerals and Energy (DME) on October 19, 2004. Ambassador Frazer stressed the need to move ahead on scheduling our first Joint Standing Committee on Nuclear Energy Cooperation and to bring closure to our research and development agreements on nuclear energy and on nuclear materials safeguards technologies. Mlambo-Ngcuka mentioned DME's objective to encourage oil and gas exploration on South Africa's continental shelf. She was disappointed that Forest Oil (Denver) and PetroSA were unable to locate more natural gas in their offshore Ibhubesi field, but was appreciative of the support that the U.S. Trade Development Agency had provided the project and PetroSA. She mentioned DME's intention to develop the jewelry industry in South Africa, but that this first required loosening controls on the possession of precious metals and diamonds in South Africa. Mlambo-Ngcuka said that she wanted to bring the interagency dialogue on DME's Vehicle Emissions Strategy to a close by the end of this year. She said that if MMT, the fuel additive sold in South Africa by Afton Chemical (Richmond, Virginia), were disallowed, the government would have to devise an "elegant exit" for Afton. End Summary.

Introduction  
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12. (SBU) Ambassador Frazer made her introductory call on Minister Mlambo-Ngcuka on October 19. Also attending the meeting was Acting Head of Ministerial Services Sandile Tya Tya and Econoff. Mlambo-Ngcuka, who has a reputation as one of the more effective ministers, began her second term as DME minister in April. During her first term, she supervised the creation of the country's first black economic empowerment charters in the liquid fuels and minerals sectors. Mlambo-Ngcuka also was temporarily the acting Minister of Science and Technology when the post fell vacant in the run up to national elections in 2004.

13. (SBU) Comment: In 2002-04, Mlambo-Ngcuka's husband and former Director of Public Prosecutions, Bulelani Ngcuka, headed a corruption investigation involving Deputy President Jacob Zuma. In the course of the investigation, Zuma supporters accused Ngcuka of being a former spy for the apartheid regime, and of abusing his authority. In 2004, President Mbeki commissioned a hearing that exonerated Ngcuka. The spotlight took its toll, however, and Ngcuka resigned his position in August 2004. He is now involved in a black economic empowerment enterprise Amabubezi along with some well known black business leaders. Mlambo-Ngcuka appears to have emerged unscathed from all the publicity surrounding her husband. End Comment.

Nuclear Energy Cooperation  
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14. (SBU) Ambassador Frazer began the meeting by stressing the need to establish a United States-South Africa Joint Standing Committee on Nuclear Energy Cooperation (JSCNEC) and to decide on an inaugural date as soon as possible. The United States was prepared to come to South Africa December 1-3 to facilitate the inaugural meeting, but needed confirmation as soon as possible. Ambassador Frazer also emphasized the need to bring closure to two research and development agreements in the area of nuclear energy and materials safeguards technologies. These agreements established the framework within which cooperative technical projects could be pursued. Mlambo-Ngcuka said that she would look into the JSCNEC and the agreements and get back to the Ambassador by October 21. (Note: On October 28, Sandile Tya Tya told Econoff that Minister Mlambo-Ngcuka still needed to be briefed by Deputy Director Nelisiwe Magubane and Chief Director Tseliso Maqubela on these subjects, but that Maqubela had told Tya Tya that holding the JSCNEC inaugural meeting in December "was most likely." Maqubela also told him that the agreements were in advanced stages, i.e., "ready to be signed." Earlier, the Department of Foreign Affairs (DFA) informed the Embassy that an interagency meeting scheduled on October 22 to discuss the JSCNEC and R&D agreements had been postponed to October 29, to ensure the participation of all

relevant officials. The Embassy continues to actively press for an inaugural JSCNEC and the conclusion of the R&D agreements.)

#### Ibhubesi Gas Field

15. (C) Mlambo-Ngcuka was a bit disappointed that Forest Oil and PetroSA were not able to locate more natural gas reserves in the Ibhubesi field off the Western Cape during their recent drilling campaign. She said that the Petroleum Agency of South Africa (PASA) was doing everything it could to promote oil and gas exploration on South Africa's continental shelf. The problem had been that, until now, not much resource had been found. She was appreciative of the U.S. Trade and Development Agency's support for Ibhubesi project and technical assistance to PetroSA. Econoff mentioned that Forest Oil felt it had enough reserves at this time to justify a small power plant in the Western Cape, and that such a plant would provide valuable peaking power to the region. Mlambo-Ngcuka agreed, adding that one of DME's objectives was to diversify away from coal for environmental reasons. She also mentioned that on October 22 South Africa would sign an agreement with Namibia, Angola, Botswana, and the Democratic Republic of the Congo on the development of a \$4 billion hydroelectric dam at the Inga Rapids on the Congo River.

#### Adding Value: Jewelry

16. (SBU) Mlambo-Ngcuka explained DME's objective to create a domestic jewelry industry. South Africa was an important source of gold, platinum, diamonds, and semi-precious stones. She saw no reason why South Africa should export these commodities to Italy when they could be fashioned into jewelry in South Africa and used to advance black economic empowerment. First, the government had to modify the law to allow the development of an indigenous industry by loosening the controls so that small businesses could acquire precious metals and stones for the purpose of manufacturing jewelry. She hoped that South Africa would be exporting jewelry to the United States under the African Growth and Opportunity Act within five years. (Note: South Africa may export most jewelry items to the U.S. duty free under the Generalized System of Preferences.)

#### Vehicle Emissions Strategy: MMT

17. (SBU) At the close of the meeting, Econoff mentioned Afton Chemical's effort to receive a fair hearing on the use of MMT, a fuel additive and replacement for lead, in South Africa. South Africa had been considering banning MMT as part of its Vehicle Emissions Strategy. Mlambo-Ngcuka agreed that whatever South Africa decided to do with MMT, it should be fair and based on sound science, but added that there seemed to be a balance of scientific research for and against the fuel additive. She said that one idea had been for the government to give the consumer a say (e.g., through labeling at the pump), but the Department of Environment and Tourism seemed to be "dead against it." Whatever the government decided, she said that it would need to take into account all of the costs and benefits. If it turned out that MMT were disallowed, then the government would have to devise "an elegant exit" for Afton Chemical and the refiners that used MMT -- meaning some sort of phase out over a number of years.

One way or the other, she wanted to bring deliberations on the Vehicle Emissions Strategy to a close by the end of the year.

FRAZER